

**Montana Board of Housing First Mortgage Set-Aside Loans
For First-time Homebuyers using HOME funds
March 17, 2008**

Who is eligible?

The Montana Board of Housing (MBOH) has established a pool of first mortgage funds with the intent that any agency authorized by the Montana HOME program to operate a down payment assistance program for first-time homebuyers would have access to MBOH first mortgage funds at the MBOH set-aside rate. In the past, agencies had to apply to MBOH separately and receive a set-aside allocation for a specified time period. The intent of the first-mortgage pool is to provide continuous first mortgage loan funds without requiring a separate application process.

What does MBOH require?

MBOH has two requirements:

1. The agency providing the down payment assistance must write a letter to the lender originating the first mortgage loan certifying that the borrower has been approved by the agency for the assistance and stating the amount the borrower will receive. This letter is one of the documents required by MBOH before it will purchase a loan.
2. MBOH requires agencies to present a brief report to the MBOH board once a year describing how their program to help first-time homebuyers is going. Ideally, this report would be made at one of the monthly MBOH board meetings.

What is the interest rate for the loans?

MBOH set-aside interest rate at this time is 5.5%. This rate may change depending upon changes in the mortgage market. MBOH's goal is to have the set-aside program rate about $\frac{1}{2}$ to $\frac{3}{4}$ of a percent below MBOH's regular mortgage loan program, and to have the regular mortgage loan program about $\frac{1}{2}$ to $\frac{3}{4}$ of a percentage point below the comparable market rate on mortgage loans. From time to time, market conditions may prevent MBOH from reaching these levels.

What is the availability of funds now?

As of March 10, 2008, MBOH has approximately \$11 million in mortgage funds available for first mortgages for homebuyer receiving down payment assistance from HOME funds. Providing set-aside first mortgage funds for individuals receiving down payment assistance from HOME or IDA-type accounts is a priority for funding. Although MBOH has temporarily suspended the regular bond program because of the high cost of funds on the bond market, MBOH has other funds from which it operates set-aside programs.